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Small business owners undertaking organized marketing activities: out of need or available resources?

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Abstract

The main objective of the paper is to identify if SMEs managers undertake marketing activities (in the sense of having a responsible employee or a department for marketing activities) out of need (in the sense of competitiveness level in the market) or starting from available resources (financial and human assets). Therefore to shed some light on this nexus, the authors analyze the relationship between who has the responsibility of marketing activities within SMEs, its size (in terms of financial and human assets) and business sector. However, even if we find no generalized model, the paper still rises awareness for academics and practitioners, that SMEs need simplified marketing tools/applications (regardless of their level of financial and human resources and field of business) for coping with the continuously growing market competitiveness.

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Keywords: marketing in SMEs; financial and human assets; marketing tools/applications; generalized regression model

1. Introduction

The classic marketing management paradigm in which organizations put into practice activities to satisfy the customer's needs, involve data collection, analysis, concluding, planning and control. It is clear that for these activities, managers put into use adequate human and financial resources out of the organizations assets.

The marketing orientation of Small and Medium Enterprises (SMEs) is highly dependent on the marketing knowledge of entrepreneurs or small business owners who tend to be generalists, rather than have management skills (Hogarth-Scott et al. 1996). Clark and Ambler (2001), uphold that the marketing role of understanding the market and developing new product concepts contributes to an organization's innovation process. While, Rust et al. (2004) argue that business performance and marketing performance, in particular, are both

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influenced by internal environment and competition. Also, in order to survive in the current market, companies are turning more and more towards an analytical approach to optimize marketing efforts.

Nowadays, managers take into consideration using Business Analytic Tools and Applications (BAT&A), Qualitative Management Tools (QMT) and Innovative Business Models and Platforms (IBM&P) to optimize the organization's processes for a profitable present and future business.

Research conducted recently (Jones & Rowley 2011) shows that SMEs are able to successfully capitalize their business, in spite of various factors: small size, business and market limitations, the influence of managers, the lack of formal organizational structures or formal communication systems.

However, four study cases conducted by Bettiol et al. (2012) show the fact that marketing strategy in SMEs is all SME manager driven and that it is not a result of a systematic search for opportunities or a structured analysis of the relevant market, and it is more a result of a reaction process towards business environment changes.

Moreover, Gellynck et al. (2012) argue that SMEs lack in organizing marketing activities (namely planning and implementation), despite the fact that empirical evidence of two case studies regarding marketing in SMEs, conducted by Franco et al. (2014) show that the importance of marketing activities is recognized, but it differs from a company size to another. Therefore, one of the biggest challenges (for SME managers), is to create a high level of adaptability to internal and external environment changes.

Thus, we consider that managers must have at their disposal three key assets: (1) business models/tool/ methods, to keep the pace with the continuously growing market competitiveness, (2) financial resource, to acquire or create and use business models/tool/applications, (3) human resources, payed for their know-how to put into practice business models/tools/applications.

2. Marketing practices in SMEs

As mentioned in the first section of the article, we emphasize that successful strategic planning is not an effort of a single person (even in the case of SMEs). Moreover, strategic marketing planning should be carried out by a team (even a small one) with skilled/qualified members in management and marketing (and marketing orientation).

Successful achievement of marketing objectives is conditioned by a proper strategic marketing planning process. In our opinion, strategic marketing planning is not a result of a single person. For this to occur, managers have to assign the right human resources, to create or use Business Analytic Tools and Applications (BAT&A), Qualitative Management Tools (QMT) and Innovative Business Models and Platforms (IBM&P) and the right allocation of financial resources, in the conditions of an ever growing competitiveness business environment.

Recently business analytics tools are more and more used in the market process, related to marketing activities, customer care and sales (Bronzo et al. 2003, Devenport 2006, Davenport & Haris 2007).

Researchers and practitioners talk about adapting the company offer to client needs. How can this be possible? Usually throughout the effort of marketing activities. The need for more sophisticated research tools (qualitative and quantitative) for marketing issues and problems, can be solved with marketing analytics.

Marketing analytics can complete the research triangle of qualitative, quantitative and data mined information, gathering, analysis and interpretation (Hauser 2007). Also in the case of the research triangle, its success can't be a result of a single person (even in the condition of having marketing and management skills and qualifications).

Business Intelligence Systems contribute to the enterprises success and competitiveness (Davenport et al. 2010). There are examples in construction of information systems and managers interested in introducing new tools in order to manage enterprises (Wixom & Watson 2010).

However, an analysis shows that many business intelligence projects frequently fail or are not undertaken at all. The reasons mentioned, among others things, include a relatively low level of knowledge in SMEs about the opportunities and benefits of business intelligence systems, as well as about their critical success factors.

Some authors (Olszak & Ziemba 2012) engaged in a research to identify the critical success factors for BI systems implementation in SMEs. They have identified 3 categories of critical success factor, out of different perspectives: organization, process and technology. Each category has a list of critical success factors. Our attention comes upon three critical success factors out of the organization perspective: adequate budget, skilled (qualified) employees and sufficient staff/team members.

SMEs owners and managers are increasingly concerned by performance management, due to growing competitiveness, the need to reduce reaction time and the risk associated with a less loyal customer base. To be affective, the firm needs to use simple and holistic tools that can signal problems quickly and enable managers to identify sources of improvement (Bahri et al. 2011).

Another recently good literature research and analysis (Burkhart et al 2011) on the field of business model concept highlights the still existing lack of theoretical consensus (for the concept) and reveals several research gaps that are criticized throughout the scientific literature.

Somewhere in between, the business model is considered a conceptual tool or an abstract representation of the company, which contains a set of elements and their relationship (value of the company, customer segments, internal organization architecture and external networks, all core products and/or services) needed to achieve its strategic objectives, that will take the shape of profitable and sustainable revenue streams.

In other words, the concept of innovative business model refers to a set/group of components/factors that refer to: organization factors needed to create value, market factors (for whom the company creates value), internal capability (internal activities, competences and objectives), competitiveness strategy (competitive position of the company) and economic factors (all economic related assets).

Out of this ambiguous understanding of the innovative business model concept, we are curious how small business owners found it helpful to create present and future successful business models.

Out of the literature review, the importance of the new marketing management paradigm (through the usage of modern tools/applications) for the company's success, is relatively obvious. More obvious, is that small business owners have difficulties in implementing and using it, due to its company characteristics (small size, limited human and financial assets, and competitiveness level) compared to large companies.

All factors that influences implementation and usage of BAT&A, QTM, IBM&P (especially for SMEs), have in common three key elements: (1) financial resources level, (2) human resources and (3) business sector.

We consider that unfolding successful marketing activities in SMEs (with the help of modern tools/applications) is strongly related to the manager's openness towards organizational marketing culture. In other words the existence of organized marketing orientated teams within SMEs

3. Research Hypothesis

All tools/applications that can be used by a SME manager, need financial and human resources and that need comes from the drive to be competitive in its market place. Thus, a question that intrigues us and later became the premise from which the research hypothesis was stated, is: "Whether SMEs managers take decisions of unfolding marketing activities in an organized way, out of need or available resources?"

Practically our research tests the relationship between the companies' turnover, number of employees and business sector and its effects upon unfolding organized marketing activities. If we consider "need" as the competitiveness level in the market (business sector), "available resources" as financial and human assets and "organized way" as the existence of a marketing team, the following research hypothesis arises:

(H) Small business owners are more likely to unfold organized marketing activities due its available resources (turnover and employees number), rather than its competitive level in the market (business sector).

4. Data, Methodology and Results

4.1. Data

Data from 131 Romanian SMEs managers was collected with the help of an online questioner. The questioner contained 24 structured questions with predetermined response options, out of which only the data set for turnover, employee number, business sector and responsibility of marketing activities, where extracted for hypothesis testing. Table 1 presents the number of responses obtained (valid for the research) and the SMEs' characteristics in terms of the above mentioned extracted data set.

Table 1 SMEs characteristics of valid respondents

Extracted data set	No *(quantity)*	N% *(percentage)*
Employee number		
under 9	70	53.44%
10-49	43	32.82%
50-249	16	12.21%
250 and above	2	1.53%
Annual turnover		
up to 2 mil. Euros	106	80.92%
2 - 9 mil. Euros	20	15.27%
10 - 49 mil. Euros	5	3.82%
50 mil. Euros and above	0	0.00%
Business sector		
trade of goods	53	40.46%
services	62	47.33%
manufacturing - industrial goods	1	0.76%
manufacturing - end consumer goods	8	6.11%
Other	7	5.34%
Organizing marketing activities		
not organized	66	50.38%
an employee responsible for marketing activities	49	37.40%
marketing team/office/department	16	12.21%

4.2. Methodology

Firstly, we established the response variable and the predictor variables (Table 2), needed for testing our research hypothesis (H). Secondly, a multiple linear regression between the response variable (organizing marketing activities) and the three predictor variables (business sector, employee number and turnover) was analyzed.

Using backward selection procedure we found an optimal model just between (rV0) organizing marketing activities and (pV3) turnover (thus excluding the first and second predictor; (pV1) – business sector,

respectively (pV2) – employee number), but for a small value of determination coefficient R^2 (approx. 17%), which reflects that the goodness of fit is not high.

Table 2 Response variable and predictor variables

Data set	Category	Code	Response in SPSS (value = label)
Organizing marketing activities	Response variable	rV0	1 = not organized
			2 = an employee responsible for marketing activities
			3 = marketing team/office/department
Business sector	Predictor variable	pV1	1 = trade of goods
			2 = services
			3 = manufacturing - industrial goods
			4 = manufacturing - end consumer goods
			5 = other
Employee number	Predictor variable	pV2	1 = under 9
			2 = 10-49
			3 = 50-249
			4 = 250 and above
Turnover	Predictor variable	pV3	1 = up to 2 mil. Euros
			2 = 2 - 9 mil. Euros
			3= 10 - 49 mil. Euros
			4 = 50 mil. Euros and above

A regression between organizing marketing activities (rV0) and turnover (pV3) in the classical sense is not possible, because the value added variable takes just 3 values (corresponding to “1”, “2” and “3”) and the prediction values from the regression equation takes continuous values in a real interval. Hence, a linear or non-linear regression can’t explain, from the statistical point of view, the (dependent) response variable.

Therefore, we considered that a generalized regression should be a better solution. For categorical variables (variables which take just some discrete values) a generalized regression suppose a relation between the mean value (or a function on mean value) of the dependent variable and one or more predictors (independent variable).

Analyzing our records we obtain some appropriate values for mean and variance and this suggested us to consider a Poisson generalized regression (or log-regression), i.e. a relation between the logarithm mean value of the response variable (organizing marketing activities) and the third predictor variable (turnover).

It’s obviously that a logarithmic relation makes a non-linear relation between the mean values of the response variable (rV0) and the third predictor (pV3).

First, we consider a generalized linear regression between the logarithm of mean value (rV0) and the predictor (pV3), resulting the following relation:

$$\log(E[rV0]) = a + b \times pV3 \tag{1}$$

Off course, this yields the following relation for the mean value:

$$E[rV0] = \exp(a + b \times pV3) \tag{2}$$

It is known that in the case of generalized regression models, the coefficient of determination is not computed (is not significant) and the model is sustained if only the "statistical deviance" is significantly reduced between the null model (i.e. the relation log (rV0) = constant) and the deviance of the model with one or more predictors. Also, P-values for T-test and F-test must to take some very low values, thus, we computed the created regression model and obtain the statistical deviance presented in Table 3.

Table 3 Statistical deviance for the regression model

Null deviance	Model deviance	P-value
37.215	32.094	0.0178

In addition, we computed other models of this type by crossing interactions with the other predictor variables (pV3 multiplied by pV1 and respectively by pV2) and we observed that the models' statistical deviance was not further reduced (value around 31.75). From the statistical point of view, these models (pV3 multiplied by pV1 and respectively by pV2) are not better than the model with a single predictor.

4.3. Results

Figure 1 presents the graph of our generalized regression model (intercept estimated values a = 0.1265 and b = 0.2799) and the curve of average.

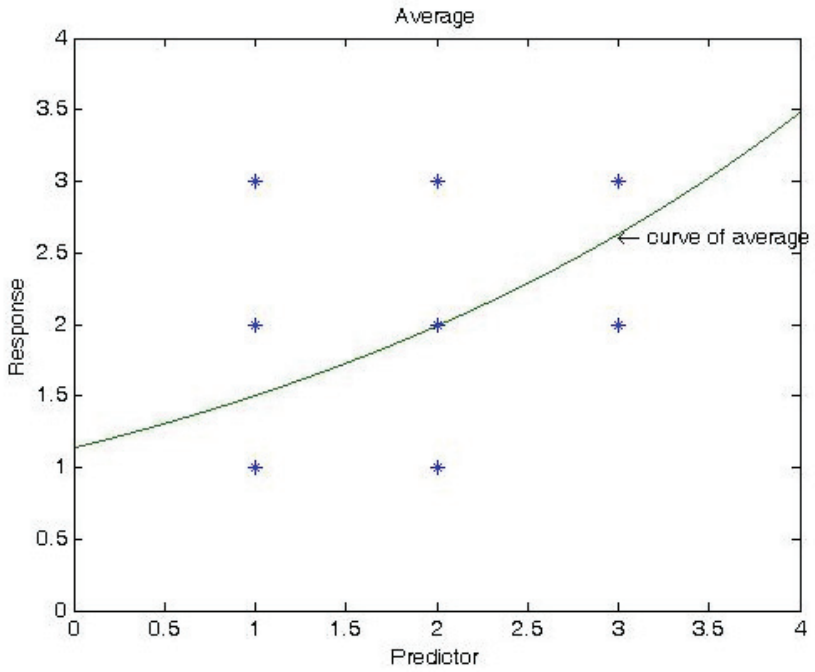

Fig. 1. Generalized regression model

5. Results interpretation

The generalized linear regression model between the response variable (organizing marketing activities) and the third predictor variable (turnover), shows an exponential growth in terms of crossing from a category of organizing marketing activities to another (in mean values), is influenced due to the company's turnover category. Due to this case, the act of undertaking organized marketing activities (by Romanian small business owners) is influenced by turnover, rather than employee number or business sector.

Therefore, our research hypothesis is partially confirmed, due to the fact that using the backward selection procedure we only found an optimal model between organizing marketing activities (rV0) and turnover (pV3), thus excluding the first (pV1) and second predictor (pV2).

Our statistical model enables the company's analysis, in terms of turnover influence upon undertaking organized marketing activities. For future research and better results it's recommended to have a data set for turnover (pV3) containing predictor variables with real and exact values (from mathematical and economical point of view) and not categories (in which value = label/category). Using a predictor variable with real and exact values, we can determine the amount of financial assets from which a small business owners have the predisposition to undertake organized marketing activities.

6. Conclusions

Our results show that the quantum of financial resources represents a deciding factor (at least for Romanian SMEs managers) in undertaking organized marketing activities. In other words, a lower turnover influence Romanian small business owners not to undertake organized marketing activities.

Stressing out that successful strategic marketing planning is not a single person action, and even in the case of having a team responsible, empirical results and literature review show that small business owner endeavor to use modern tools/applications. On the other hand there is evidence that small business owners are aware of the benefits that a modern tool/application brings them. Many SME managers adopt existing tools/applications, which are appropriate for large companies, but are inadequate for small and middle sized enterprises.

As a general observation, SMEs manifest a specific form of undertaking marketing activities that differ from the conventional and structured form typical for large organizations. Moreover, marketing activities in SMEs are informal, reactive to market opportunities and in most cases managers have an influence on the marketing decision-making process, usually based on their financial performance.

Due to this observation we consider that not only the lack of financial assets influence small business owners to create limited strategic marketing plans, but also the lack of openness to marketing orientation and creation of lightweight marketing research tools/applications. Thus, we consider that small business owners require cheap, light weight tools/applications that can provide them pertinent data analysis needed for the marketing decision-making process.

In our future research we will engage in a two-way direction. Firstly, to collect real and exact data for the third predictor variable (turnover), needed in determining the amount of financial assets from which a small business owners have the predisposition to undertake organized marketing activities. Secondly, to create the light weight tool/application for the small business owners requirements.

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